

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

JUDGE PETER J. WALSH

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February 27, 2004

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Attorneys for the Debtors

Attorneys for American Airlines, Inc.

Re: Trans World Airlines, Inc., et al.
Case No. 01-00056 (PJW)

Dear Ms. Robinson & Counsel:

This is with respect to the Motion to Compel American Airlines to Continue Paying Elizabeth Robinson Her TWA Workers' Compensation Benefits (Doc. # 4706) filed on March 27, 2003. This matter has been the subject of a rather long and tortured history, with one issue remaining open.

In addition to the written submissions by American Airlines, Inc. ("American") and Ms. Robinson, I heard argument on these matters on May 8, 2003 and July 7, 2003. I then held an

evidentiary hearing on October 14, 2003, followed by further written submissions.

At the conclusion of the evidentiary hearing on October 14, 2003 I made certain findings and rulings regarding the motion, including a determination that American had assumed Transworld Airlines, Inc.'s ("TWA") obligation to Ms. Robinson to make workers' compensation payments to her in the amount of \$1,866.32 per month.

The only issue left open at the conclusion of the October 14, 2003 hearing was whether the settlement agreement of December 2, 2002 between Ms. Robinson and TWA had the effect of releasing American from its obligation to Ms. Robinson. For the following reasons, I find that it did not.

American argues that as a successor to TWA's workers' compensation obligation, because TWA obtained a release as to any liability to Ms. Robinson, that release must likewise bar any claim by Ms. Robinson against American. The problem with that argument is that American's obligation to Ms. Robinson occurred on April 9, 2001 when the APA became effective. By reason of the APA that obligation was assumed by American. From that point on, TWA had no obligation to Ms. Robinson for workers' compensation payments post April 9, 2001. Thus, when the settlement agreement was executed there was no post April 9, 2001 TWA workers' compensation obligation that TWA could have released. In this regard it is worth

noting that the release recited in paragraph 3 of the settlement agreement releases the "Debtors" and the "Estate"; it does not release successor entities such as American.

The release provision contains a proviso that "nothing herein shall be construed or operate in any way to alter or release TWA Airlines LLC ("LLC") or American Airlines, Inc. ("American") from any alleged liability they may have to Robinson." Equally important, paragraph 4 of the settlement agreement states that "[t]he Estate also agrees not to interfere with Ms. Robinson's ability to pursue her alleged claims against LLC or American." I do not believe American can claim to be a beneficiary to the release when the release specifically carves out any claim Ms. Robinson may have against American. Of course, American is not a party to the settlement agreement. Indeed, I believe counsel for American advised the Court that American was not even aware of the settlement agreement until after it was executed. Furthermore, it is quite apparent from the settlement agreement that TWA thought Ms. Robinson had a continuing right to assert a claim against American.

American argues that the \$25,000 settlement payment made to Ms. Robinson pursuant to the settlement agreement is so large relative to the prospective distribution to be made to unsecured creditors in the TWA case that it must be assumed that it was in satisfaction of the monthly workers' compensation payments for the

balance of Ms. Robinson's life. I see two problems with this argument. First, it assumes that all of Ms. Robinson's claims would be treated as pre-petition unsecured claims. There is nothing in the record before me on this issue that warrants that conclusion. Indeed, the language in the first sentence of paragraph 3 of the settlement agreement suggests the possibility that she may have had an administrative claim. Certainly as to the post-petition pre-April 9, 2001 disputed obligations Ms. Robinson had an administrative claim. Secondly, and equally important, it is very clear that Ms. Robinson's persistence in this matter has caused both TWA and American to incur substantial legal expenses. I suspect that \$25,000 is not a large sum compared to TWA's and American's cost of fighting Ms. Robinson, and not just in this Court, regarding these disputes.

This letter will also serve to supplement and clarify my October 14, 2003 ruling in the following respects:

(1) Mr. Steeves testified that he treated Ms. Robinson's disability as temporary because he did not have a copy of her injury file which, according to him, was maintained by the insurance company (T.Tr. 23). This testimony is belied by the fact that TWA had in its possession in 1988 the notice of decision from the New York Workers' Compensation Board identifying the injury as resulting in a "permanent" disability. (Doc. # 5139, Ex. E).

(2) Contrary to American's interpretation of the 1992 amendment to the CBA, I do not equate the word "awarded" (appearing in the last sentence of the second paragraph) with the word "paid". I find that the award was made before 1992. The 1988 notice of decision (Doc. # 5139, Ex. E) explicitly speaks in terms of an "award".

(3) In Mr. Steeves' April 10, 2001 letter to Ms. Robinson (Tr. Ex. 3) he stated that she was receiving benefit payments pursuant to Article 20(D)(2) of the 1983 CBA. I view this as a clear acknowledging of TWA's agreement (set forth in the 1992 amendment to the CBA) to not challenge or attempt to reduce any permanent disability benefits paid pursuant to Article 20(D)(2) of the 1983 CBA.

(4) At the conclusion of the October 14, 2003 hearing, I found that the obligation to Ms. Robinson was assumed in the APA whereby American assumed "all workers' compensation obligations." I indicated the basis for that finding. Mr. Steeves took a different view of that provision of the APA. I find his "interpretation" (T.Tr. 72) to be insufficiently supported by the facts of record.

Attached hereto is a copy of the order entered in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Peter J. Walsh". The signature is stylized and cursive.

Peter J. Walsh

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:) Chapter 11
)
TRANS WORLD AIRLINES, INC.,) Case No. 01-00056 (P JW)
et al.,)
)
Debtors.)

ORDER

For the reasons stated by the Court at the conclusion of the October 14, 2003 hearing and in the Court's letter ruling of this date, the Motion to Compel American Airlines to Continue Paying Elizabeth Robinson Her TWA Workers' Compensation Benefits (Doc. # 4706) is hereby GRANTED so that American Airlines, Inc. is obligated to make workers' compensation payments to Elizabeth Robinson in the amount of \$1,866.32 per month, commencing April 9, 2001. All accrued but as yet unpaid monthly payments shall accrue interest from the dates of accrual at the rate established by 28 U.S.C. § 1961.


Peter J. Walsh
United States Bankruptcy Judge

Dated: February 27, 2004